House
REPUBLICAN
Conference

FloorPrep

Legislative Digest

Thursday, February 10, 2000

J.C. Watts, Jr.
Chairman
4th District, Oklahoma

House Meets at 10:00 a.m. for Legislative Business

Anticipated Floor Action:
H.R. 6—Marriage Tax Penalty Relief Act

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H.R. 6—Marriage Tax Penalty Relief Act

Floor Situation: The House will consider H.R. 6 as its only order of business today. On Tuesday, the Rules Committee granted a structured rule that provides two hours of general debate, equally divided between the chairman and ranking minority member of the Ways & Means Committee. The rule waives all points of order against consideration of the bill. In addition, the rule makes in order a substitute amendment by Mr. Rangel, debatable for one hour equally divided between Mr. Rangel and an opponent. It waives all points of order against consideration of the substitute. Finally, the rule provides one motion to recommit, with or without instructions.

Summary: H.R. 6 contains several initiatives to reduce the impact of the "marriage penalty" inherent in the tax code. Specifically, the bill provides $182.3 billion in marriage penalty tax relief over 10 years ($50.7 billion over five years) by changing the tax code in the following manner:

* **Increasing the Standard Deduction**. The measure increases the standard deduction for married couples to twice that of single taxpayers beginning in 2001, providing $66.2 billion in tax relief over 10 years. In 2000, the standard deduction amounts to $4,400 for single taxpayers but just $7,350 for married couples who file jointly (*e.g.*, were the bill effective in 2000, the standard deduction would amount to $8,800, double the $4,400 amount for singles).

* **Expanding the 15 Percent Tax Bracket**. H.R. 6 increases the 15 percent tax bracket for married couples who file jointly to twice that of single taxpayers beginning in 2003, phased in over six years (providing $104.7 billion in tax relief over 10 years). Under current law, the 15 percent bracket covers taxpayers with taxable income up to $26,250 for singles and $43,850 for married couples filing jointly. If the measure were in effect

today, married couples would pay the 15 percent tax rate on their first $52,500 of taxable income, instead of on their first $43,850 under current law.

* **Increasing the Earned Income Tax Credit**. Beginning in 2001, the bill increases by $2,000 the amount a joint-filing couple may earn before their earned income tax credit benefits begin to phase out. This provision provides $11.4 billion in tax relief over 10 years. The proposal will increase EITC payments to existing family recipients and make additional families eligible for the credit.

In addition, the measure repeals current law provisions that limit refundable child credits and earned income credits under the alternative minimum tax, effective beginning in 2002 (thus ensuring that no couples' tax liability is increased under the bill). Finally, the bill makes a number of technical modifications to current law.

The Joint Committee on Taxation estimates that enactment will cost $4.1 billion in FY 2001; $50.7 billion over the FY 2001-2005 period; and $182.3 billion over the FY 2001-2010 period. The bill was introduced by Mr. Weller *et al*. and was reported by the Ways & Means Committee by a vote of 23-13 on February 2, 2000.

Views: The Republican leadership strongly supports passage of the bill. The Clinton Administration strongly opposes the bill. Although not explicitly threatening to veto the measure, the president's senior advisors will recommend that the he not sign the bill unless there is a proper framework in place to "pay down the debt, strengthen Social Security and Medicare, provide tax relief to middle-income families, and fund 'critical' initiatives."

Amendments: As stated above, the rule makes in order the following substitute by Mr. Rangel:

— Rangel Substitute —

Mr. Rangel will offer a substitute, debatable for one hour, to provide approximately $89 billion in marriage penalty tax relief over 10 years (assuming the substitute takes effect on schedule). The substitute provides tax relief in some of the same areas as the base bill, but does not provide any tax relief by expanding the 15 percent tax bracket (which the base bill does). The substitute contains a "trigger mechanism" under which the tax relief will not take effect until certain federal agencies certify that Social Security will remain solvent until 2050, Medicare will remain solvent until 2030, and the publicly-held national debt is projected to be eliminated by 2013.

In addition, the substitute (1) increases the standard deduction for married couples to twice that of single taxpayers beginning in 2001 (same as the base bill, providing $66.2 billion in tax relief over 10 years); (2) makes adjustments to the alternative minimum tax to ensure that all married couples enjoy the benefit of the increased standard deduction (providing approximately $10.2 billion in tax relief over 10 years; the base bill has no similar provision); (3) increases the amount a joint-filing couple may earn before their earned income tax credit benefits begin to phase out by $2,000 in 2001 and by $2,500 in 2002 (providing approximately $13 billion in tax relief over 10 years).

Finally, the substitute repeals current law provisions that limit refundable child credits and earned income credits under the alternative minimum tax, effective beginning in 2001 (thus ensuring that no couples' tax liability is increased under the bill). The base bill contains a similar provision, although it takes effect in 2002. ***Staff Contact: John Buckley (Ways & Means Minority), x5-4021***

Additional Information: See *Legislative Digest*, Vol. XXIX, #2, February 4, 2000.

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